



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 28, 2004

H.R. 4654

A bill to reauthorize the Tropical Forest Conservation Act of 1998 through fiscal year 2007, and for other purposes

*As ordered reported by the House Committee on International Relations
on June 24, 2004*

SUMMARY

H.R. 4654 would authorize the appropriation of \$75 million over the 2005-2007 period for programs under the Tropical Forest Conservation Act. Those funds would be used to cover the costs of restructuring debt owed to the United States so that certain countries would pay into local funds established to preserve, maintain, and restore tropical forests. CBO estimates that implementing the bill would cost \$75 million over the next five years, assuming the appropriation of the authorized amounts. H.R. 4654 would not affect direct spending or receipts.

H.R. 4654 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4654 is shown in the following table. The estimate assumes that the bill will be enacted late in 2004, that the authorized amounts will be provided in annual appropriation acts, and that outlays will follow historical spending patterns. The costs of this legislation fall within budget function 150 (international affairs).

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Debt						
Restructuring						
Budget Authority ^a	94	0	0	0	0	0
Estimated Outlays	234	180	63	0	0	0
Proposed Changes						
Authorization Level	0	20	25	30	0	0
Estimated Outlays	0	8	22	27	18	0
Spending Under H.R. 4654 for Debt						
Restructuring						
Authorization Level ^a	94	20	25	30	0	0
Estimated Outlays	234	188	85	27	18	0

a. The 2004 level is the amount appropriated for that year.

BASIS OF ESTIMATE

The Tropical Forest Conservation Act of 1998 authorized the Secretary of State to negotiate agreements with eligible countries to create local funds administered by local boards with the authority to make grants to preserve, maintain, and restore tropical forests. The local funds receive a stream of payments generated from modifying the terms of outstanding development assistance or food-aid debt owed to the United States. The debt modifications include authority to reduce and to restructure debt, to swap the debt, or to sell the debt back to an eligible country in ways that will generate income for the local funds. H.R. 4654 would authorize the appropriation of \$20 million in 2005, \$25 million in 2006, and \$30 million in 2007 to cover the cost of loan modifications, as defined by the Federal Credit Reform Act.

Under current law, only interest from the modified loans may be deposited in the local funds. Principal payments continue to be paid in dollars to the U.S. government. H.R. 4654 would authorize the payment of principal from the modified loans to the local funds. In addition, the bill would authorize up to \$200,000 to be used for audits and program evaluations in any year. CBO estimates those changes to the program would reduce the amount of outstanding debt that could be modified with the amounts authorized, but would not otherwise affect the cost of the program.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4654 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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